DOCUMENT RESUME

ED 419 592 PS 026 473

TITLE	Child Care: Federal Funding for Fiscal Year 1997.
INSTITUTION	General Accounting Office, Washington, DC. Health, Education, and Human Services Div.
REPORT NO	GAO/HEHS-98-70R
PUB DATE	1998-01-23
NOTE	22p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 37050, Washington, DC 20013; phone: 202-512-6000; fax: 202-512-6061; World Wide Web: http://www.gao.gov; e-mail: info@www.gao.gov (First copy, free; additional copies, $2 each).
PUB TYPE	Numerical/Quantitative Data (110) -- Reports - General (140)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Day Care; Early Childhood Education; Employed Parents; *Federal Aid; Federal Legislation; *Federal Programs; *Public Policy; Welfare Recipients
IDENTIFIERS	Child and Adult Care Food Program; Dependent Care Tax Credit; Project Head Start; Social Services Block Grant Program

ABSTRACT

The number of working women with children has increased dramatically in the past 20 years, increasing the demand for child care services to help working families secure and maintain their economic self-sufficiency. As more welfare families will be expected to seek and keep jobs, demand for child care services will increase. Because Congress is considering several proposals, including a variety of subsidies and tax breaks, to provide more federal funding to working parents to secure child care and to change certain programs, this correspondence to Senator Larry E. Craig responds to his questions regarding how much the federal government is now spending on child care and for whom. Data are provided on the amount of federal funding for key child care programs for fiscal year 1997, the number of children served under these programs, and the programs' eligible populations. Information is charted for five primary programs, and 16 other programs including: federal funds available for child care under each program; total program funds; ratio of child care funds to total program funds; and the administering agency. Data for military programs are also charted. An enclosure to the correspondence describes the five primary federal child care programs: Head Start; Child Care and Development Fund; Child and Dependent Care Tax Credit; Child and Adult Care Food Program; and Title XX Social Services Block Grant Child Care. (JPB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PS

GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

ED 419 592

B-278951

January 23, 1998

The Honorable Larry E. Craig
United States Senate

Subject: Child Care: Federal Funding for Fiscal Year 1997

Dear Senator Craig:

In recent decades, child care has grown in importance for helping working families secure and maintain their economic self-sufficiency. The number of working women with children, especially those with children under 6 years of age, has increased dramatically. Of women with children under the age of 6, about 39 percent were in the labor force in 1975; in March 1997, 65 percent were in the labor force. Most recently, under welfare reform legislation passed in 1996,[1] many more welfare families, including those with very young children, will be expected to seek and keep jobs, thereby increasing the demand for child care services.[2]

While individual families bear most of the cost for child care expenses, the federal government provides a significant amount of funding for child care as well. Current national debate has raised issues regarding the importance of high-quality care to children's well-being, the availability of child care, and the federal role in helping families with their child care needs. On January 7, 1998, the administration announced several proposals, including a variety of subsidies and tax breaks, to help provide more federal funding to working parents to

[1]This refers to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) that ended the Aid to Families With Dependent Children program for all states as of July 1997 and instead provides states with funds through Temporary Assistance for Needy Families (TANF) block grants.

[2]See our report, Welfare Reform: States' Efforts to Expand Child Care Programs (GAO/HEHS-98-27), which discusses states' efforts to implement the Child Care and Development Block Grant amended by the 1996 welfare law. (This report will be available by February 13, 1998.)

026473

secure child care. During its upcoming session, the Congress is expected to consider these and other proposals affecting the federal role in child care.

In light of proposals to increase federal funding and change certain programs, you asked us how much the federal government is now spending on child care and for whom. Specifically, we are providing data on (1) the amount of federal funding for key child care programs for fiscal year 1997, (2) the number of children served under these programs, and (3) the programs' eligible populations. To identify key child care programs, we based our work on our 1994 report, Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994), which identified over 90 federal programs related to early childhood education and child care.[3] This listing included key programs--those that not only provided some funding for child care activities but that funded child care activities we determined were critical to achieving the goals of the program. The remaining programs also allowed some of their program dollars to be used for child care activities, but these activities were unrelated to the main purpose of the program and were not identified to us as important in supporting the goals of the program. Furthermore, data on the amount spent on child care activities in these other programs are generally not available. Hence, for this report, we have updated information on only the key child care programs.

To update information about these programs, we used the Catalogue of Federal Domestic Assistance, 1997,[4] as well as other federal government sources. We also used other studies to identify additional key programs that were not listed in our 1994 report. Finally, we contacted agency officials to obtain the most current information about funds available and the number of children served by each program for fiscal year 1997. We did not verify the data provided to us by agency officials. Otherwise, we conducted our work between November 1997 and January 1998 in accordance with generally accepted government auditing standards.

---

[3]Our prior report included both early childhood education and child care programs. Early childhood education programs serve, in effect, as child care for many parents but tend to have a more extensive educational component to them than programs that provide only child care. Hence, for this correspondence, we refer to both types of programs as child care programs.

[4]The catalogue is a governmentwide compendium of federal programs, projects, services, and activities containing financial and programmatic information. It is compiled and produced by the General Services Administration and is published twice a year using the most current information available.

MOST FEDERAL FUNDING FOR CHILD CARE IS PROVIDED BY FIVE PROGRAMS

In fiscal year 1997, approximately $13.8 billion in federal funds was available for child care activities through 22 key child care programs.[5] As shown in table 1, over 80 percent of these funds, or approximately $11.5 billion, is provided through five primary programs: the Child and Adult Care Food Program, the Child and Dependent Care Tax Credit, the Child Care and Development Fund (CCDF),[6] Head Start, and the Title XX Social Services Block Grant (SSBG).

Table 1: Summary of Federal Funds Available for Key Child Care Programs, Fiscal Year 1997

Program type and name	Child care funds available, fiscal year 1997 (in thousands)
Primary programs	
Head Start	$3,980,546
Child Care and Development Fund	2,876,027[a]
Child and Dependent Care Tax Credit	2,705,000[b]
Child and Adult Care Food Program	1,530,000
Title XX Social Services Block Grant	375,000[c]
Subtotal, primary programs	11,466,573
Other programs	2,038,900
Military	302,062
Total	$13,807,535

[a]This is the total amount of federal money available to states under CCDF. It includes $934,642,000 in fiscal year 1996 funds that HHS distributed on September 30, 1996. To

[5]See enc. I for a listing of these programs.

[6]Although named the Child Care and Development Block Grant in the legislation, the Department of Health and Human Services (HHS), which administers the block grant, refers to this program as the Child Care and Development Fund.

receive all of these funds, states must maintain expenditures at specified levels and spend additional state funds above those levels.

[b]This amount includes estimated claims for dependent care expenses for both child care and disabled dependents. The amount of money for the tax credit is an estimate of the revenue loss to the government for 1997.

[c]The total entitlement amount for SSBG in fiscal year 1997 is $2.5 billion. The amount in the table represents an estimate of the portion used by states for child care in that year.

Four of the primary programs--the Child and Adult Care Food Program, CCDF, Head Start, and SSBG--are direct-spending programs for child care services. That is, federal money is appropriated and provided directly to the states, or, in the case of Head Start, to local grantees who run the Head Start programs. On the other hand, the Child and Dependent Care Tax Credit is provided through the tax code as a credit for taxpayers who are working or looking for work who have children or disabled dependents under their care.

Programs Pay for a Variety of Services

The primary programs vary in the extent to which funds are used to subsidize the cost of child care as opposed to paying for other types of child care services, such as training or regulating child care providers. Most of the funds under CCDF are available for states to give subsidies to parents to help pay for child care, although CCDF requires states to spend no less than 4 percent of these funds on other types of child care services, such as training or monitoring providers. Similarly, while SSBG may be used for a broad array of social services including child care, historically many states have used these funds to help eligible parents pay for child care. In contrast, Head Start funding is used to provide not only early childhood education programs to low-income children but also medical, dental, and social services to both the child and its family. Finally, the Child and Adult Care Food Program provides food subsidies to child care providers for meals served to children while in their care[7]. Funds are also used for training, monitoring, and providing technical assistance to providers. Even though none of this program's moneys are used for helping parents pay for child care, the program's combination of resources, training, and oversight are the reasons experts cite it as a primary child care program. Enclosure I lists the 22 key programs we identified and federal funding for these programs for fiscal year 1997. Enclosure II provides a brief description of the five primary programs.

---

[7]About 2 percent of spending under the program provides subsidies for meal services for chronically impaired adults and adult day care centers.

NUMBER OF CHILDREN SERVED

In fiscal year 1997, about 4.8 million children were served by 16 of the 22 programs identified in this report.[6] (Agency officials could not provide data on the remaining six programs.[7]) Two of the five primary programs, Head Start and the Child and Adult Care Food Program, served 3.4 million children. In addition, approximately 166,000 children were served through military child care, and the remaining 1.3 million children were served by 13 domestic programs.

Data on the number of children served by three of the primary programs--the Child and Dependent Care Tax Credit, CCDF, and SSBG--are not readily available. Data on the number of children served by CCDF, which were not available for fiscal year 1997, will be available for future years. In addition, because states historically have not been required to report on the number of children SSBG serves, data are not available at the national level. Finally, while data are available on the number of tax returns filed that claim the Child and Dependent Care Tax Credit, no analysis is available estimating the number of children for whom the credit is used. Enclosure III shows the estimated number of children served for 16 of the 22 federally funded child care programs we identified.

ELIGIBLE POPULATIONS

Ten of the 22 key programs that we identified provide funds to children in low-income families, including three of the primary programs--CCDF, Head Start, and SSBG. Table 2 summarizes the eligible populations for the primary programs, and enclosure IV describes the eligible populations for the other programs.

---

[6]The total number of children served by these programs may be overestimated because some programs may have provided services to the same children.

[7]Estimates were not available for the number of children served by the Child and Dependent Care Tax Credit, CCDF, Education for Homeless Children and Youth, Exclusion of Employer Provided Child Care, Native Hawaiian Special Education, and SSBG programs.

Table 2: Eligible Populations for the Five Primary Federal Child Care Programs

Program name	Eligible population
Child and Adult Care Food Program	Children in child care centers or in family child care, individuals with disabilities, functionally impaired adults, and adults 60 years or older in adult day care centers.
Child and Dependent Care Tax Credit	Taxpayers with incomes of $10,000 or less can claim a credit up to about 30 percent of qualified expenditures for children and disabled dependents. Taxpayers with incomes between $10,000 and $28,000 can claim a credit reduced to a minimum of 21 percent for each $2,000 income over $10,000, and to a minimum of 20 percent for income above $28,000.
Child Care and Development Fund	Low-income families who are at or below 85 percent of a state's median income;[a] in particular, families receiving TANF, transitioning from TANF, or at risk of needing TANF.
Head Start	Primarily preschool-aged children (although some programs serve children from birth to age 3), living in poverty[b] or with a family receiving TANF.
Title XX Social Services Block Grant	Generally, low-income families and individuals for whom eligibility is defined by the states.

[a]Nationwide, for fiscal year 1997, 85 percent of state median income for a family of four ranged from a low of $31,033 in Arkansas (1.93 times the federal poverty level) to a high of $52,791 in Connecticut (3.29 times the federal poverty level).

[b]In 1997, the federal poverty level for a family of four was $16,050 in the 48 contiguous states and the District of Columbia, $20,070 in Alaska, and $18,460 in Hawaii.

Funds for the remaining two primary programs--the Child and Adult Care Food Program and the Child and Dependent Care Tax Credit--can be used by families of all income levels, although larger tax credits and subsidy amounts are provided for lower-income families. Providers participating in the Child and Adult Care Food Program receive the largest subsidies for the number of meals and snacks served to each child in their care whose family income is below a certain percentage of the poverty level--130 percent for children in center child care and 185 percent for children in family child care. Similarly, the tax credit may be claimed by taxpayers in all income brackets, with the largest credit--30 percent--provided for families with an annual income below $10,000. Because the credit is nonrefundable, it does not provide assistance to low-income families that pay no taxes. Additionally, in cases in which the credit is larger than the qualifying family's tax liability, the family can claim only a portion of the credit for which it qualifies.

- - - - -

Although nearly all of the information in this correspondence was extracted from published documents or from our recently issued reports, we provided a draft of the correspondence to HHS program officials for their comments. These officials were not, however, able to provide comments in time to meet the agreed-upon time frame for this final product.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence until 30 days after its issue date. At that time, we will send copies to the Secretary of HHS and other interested parties. We will also make copies available to others upon request.

If you or your staff have any questions about this correspondence, please contact me at (202) 512-7215 or Gale Harris, Assistant Director, at (202) 512-7235. Other major contributors to this correspondence were Janet Mascia, Catherine Pardee, and Elizabeth Morrison.

Sincerely yours,

Mark V. Nadel
Associate Director,
Income Security Issues

ENCLOSURE I

FEDERAL FUNDS AVAILABLE FOR KEY CHILD CARE PROGRAMS, FISCAL YEAR 1997

	Federal funds available, fiscal year 1997			
Program name	For child care	Total program funds	Ratio of child care funds to total program funds (percent)	Agency
Primary programs				
Head Start	$3,980,546,000	$3,980,546,000	100	HHS
Child Care and Development Fund[a]	2,876,026,500	2,876,026,500	100	HHS
Child and Dependent Care Tax Credit[b]	2,705,000,000	2,705,000,000	[c]	Treasury
Child and Adult Care Food Program	1,530,000,000	1,560,000,000	98	Agriculture
Title XX Social Services Block Grant Child Care[d]	375,000,000	2,500,000,000	15	HHS
Subtotal, primary programs	11,466,572,500	13,621,572,500		
Other programs				
Exclusion of Employer Provided Child Care[b]	830,000,000	830,000,000	[c]	Treasury
Special Education–Preschool Grants (Section 619 IDEA)	360,409,000	360,409,000	100	Education
Special Education–Infants and Toddlers (Part H)	315,754,000	315,754,000	100	Education
Special Education–State Grants (Part B)	301,059,000	3,107,522,000	9.69	Education
Title I, Part A, Education for the Disadvantaged	146,000,000	7,295,232,000	2	Education
Even Start Family Literacy State Grants	57,313,840	95,523,050	60	Education
Migrant Education–Basic State Formula Grant Program	7,368,250	29,473,000	25	Education
Native Hawaiian Family Based Education Centers	6,100,000	6,100,000	100	Education
Family and Child Education	5,471,000	5,471,000	100	Interior
Chapter 2, State Block Grants	4,600,000	310,000,000	1.48	Education
Even Start–Migrant Education	1,835,856	3,059,760	60	Education
Job Corps	1,021,000	1,153,509,000	15	Labor
Even Start–Indian Tribes and Tribal Organizations	917,928	1,529,880	60	Education
Appalachian Regional Commission Child Development Activities	380,102	558,695	68	Appalachian Regional Commission
Native Hawaiian Special Education	N/A	1,000,000	N/A	Education

	Federal funds available, fiscal year 1997			
Program name	For child care	Total program funds	Ratio of child care funds to total program funds (percent)	Agency
Education for Homeless Children and Youth	N/A	25,000,000	N/A	
Subtotal, other programs[a]	2,038,809,966	13,540,741,295		
Subtotal, domestic primary and other programs[a]	13,505,472,466	27,162,313,795		
Military[b]				Defense
Operations and maintenance	282,247,000	282,247,000	100	
Construction	19,420,000	19,420,000	100	
Personnel	305,000	305,000	100	
Subtotal, military	302,062,000	302,062,000	100	
Total, domestic and military[c]	$13,807,534,466	$27,464,375,795		

Note: N/A = not available.

[a]States do not have to obligate or spend any state funds to receive about $2.2 billion of these funds. To receive the remaining $723,691,000, states must maintain expenditures at specified levels and spend additional state funds above those levels. States may also transfer up to 30 percent of TANF funds to CCDF; for fiscal year 1997, $13.36 billion in TANF funds were available. Preliminary data submitted from 40 states to HHS as of December 19, 1997, indicated that five states had transferred a total of $27,354,000, or approximately .2 percent, in TANF funds to CCDF in fiscal year 1997. States also have the flexibility to spend TANF funds that are not transferred to CCDF on child care assistance for needy families.

[b]Data for both the Child and Dependent Care Tax Credit and the Exclusion of Employer Provided Child Care represent estimates of revenue loss prepared by the Department of the Treasury based upon tax law enacted as of December 31, 1996. These data were obtained from the Office of Management and Budget's Budget of the United States Government, Analytical Perspectives, Fiscal Year 1998 (Washington, D.C.: Office of Management and Budget, 1997).

[c]The amounts for the Child and Dependent Care Tax Credit and the Exclusion for Employer Provided Child Care include estimated claims for dependent care expenses for both child care and disabled dependents.

[d]The total entitlement for SSBG in fiscal year 1997 is $2.5 billion. The amount in the table represents the approximate portion that states used for child care in that same year.

[e]Totals include zeros for the programs for which funding data were not available.

[f]Data for the military were drawn from the "1998 Future Years Defense Program." This includes costs associated with the intellectual, social, emotional, and physical development of children in child development centers and family child care homes, which are government quarters, owned or leased.

Source: Data were provided by agency officials in response to a GAO survey.

DESCRIPTIONS OF PRIMARY FEDERAL CHILD CARE PROGRAMS

CHILD AND ADULT CARE FOOD PROGRAM

The Child and Adult Care Food Program (CACFP), which is administered by the Department of Agriculture's Food and Nutrition Service, provides federal subsidies for meals and snacks that are served in licensed nonresidential child care centers and family or group day care homes. While CACFP subsidies are also available for meal services to chronically impaired adults and adult day care centers, spending on child care represents almost 98 percent of CACFP spending. In addition, providers who participate in CACFP also receive training and regular visits from program monitors who help with menu planning, paperwork, and other technical matters.

Federal assistance primarily comprises cash subsidies paid to providers on the basis of the number of meals and snacks served. Center providers receive the largest subsidies for children from families with incomes at or below 130 percent of the federal poverty level. Reduced subsidies are received for families with incomes between 130 percent and 185 percent of this level, while the smallest subsidies are received for families with incomes above 185 percent of the poverty level. Participant eligibility for child care institutions is limited to children aged 12 or younger, except for children of migrant workers aged 15 or younger and children of any age with disabilities. However, most of the children served are between 3 and 6 years old.

Welfare reform legislation passed in 1996 restructured subsidies received by family child care and group day care homes by creating two categories, or "tiers," for participating homes. Tier I homes, which receive the largest subsidies, are those located in low-income areas or where the provider's income is at or below 185 percent of the poverty level.[10] Tier II homes are ones that do not meet the low-income standards of tier I homes and receive lower subsidies.

Several different types of institutions are eligible to participate in CACFP. These include public and nonprofit private organizations such as day care centers, outside-school-hours care centers, family and group day care home programs, Head Start programs, and institutions providing day care services to children with disabilities. Private, for-profit centers are also eligible if they receive compensation under title XX of the Social Security

---

[10]Low-income areas are those in which at least half of the children are in households with annual incomes below 185 percent of the federal poverty level, or served by an elementary school in which 50 percent or more of the students are eligible to receive free or reduced-price school meals. (See 1996 Green Book, House Committee on Ways and Means, Nov. 4, 1996, p. 1368.)

Act for at least 25 percent of the enrolled children or 25 percent of the licensed capacity, whichever is less.

CHILD AND DEPENDENT CARE TAX CREDIT

The Child and Dependent Care Tax Credit allows families and individuals to take a tax credit for child care expenses.[11] This tax credit may be claimed by married couples for child and dependent care expenses incurred when one spouse works full time and the other works at least part time or goes to school. The credit may also be claimed by divorced or separated parents who have custody of children, and by single parents. Expenditures up to a maximum of $2,400 for one dependent and $4,800 for two or more dependents are eligible for the credit. The credit is equal to 30 percent of qualified expenditures for taxpayers with incomes of $10,000 or less. The credit is reduced to a minimum of 21 percent by 1 percentage point for each $2,000 of income between $10,000 and $28,000, and to a minimum of 20 percent for annual incomes above $28,000.

According to estimates by the Joint Committee on Taxation, 6.2 million families claimed an average credit of $445 for a total of $2.8 billion in 1996. Over half, 54 percent, of the credit amount claimed accrued to families with adjusted gross income (AGI) above $50,000; about 39 percent to families with AGIs between $20,000 and $50,000; and about 7 percent to families with AGIs of less than $20,000. The credit is not refundable, however. Hence, families whose incomes are low enough not to owe taxes cannot claim the credit, and families whose credit is larger than their tax liability cannot take full advantage of it; that is, they can only claim a portion of the credit.

CHILD CARE AND DEVELOPMENT FUND

The Child Care and Development Block Grant, now called the Child Care and Development Fund (CCDF), provides federal funds to states for child care subsidies for families who are working or preparing for work and who have incomes of up to 85 percent of a state's median income. Up to this limit, states have flexibility to set their own eligibility criteria, although CCDF requires states to use a significant portion of their funds for welfare-related child care needs.[12] CCDF provides subsidized child care

---

[11]The expenses claimed must be for the care of one or more of the following qualifying individuals: a child under age 13 who can be claimed as a dependent; a spouse who is mentally or physically unable to care for himself or herself; or any disabled person who is not able to care for himself or herself and who can be claimed as a dependent.

[12]States are provided three types of funds--mandatory, matching, and discretionary. The welfare reform legislation requires that states devote not less than 70 percent of the mandatory and matching funds they receive to provide child care assistance to families

to eligible families generally through certificates or contracts with providers. In addition, a minimum of 4 percent of each state's CCDF funds must be used to improve the quality and availability of healthy and safe child care for all families. States may do this by providing funds, for example, to child care resource and referral agencies, which help parents find care and which recruit and train new child care providers, or to state licensing offices for hiring additional staff to monitor and give technical assistance to providers.

CCDF represents a notable change in key federal child care programs enacted by the welfare reform legislation of 1996. This legislation combined four existing child care programs with different target populations into one program with a single set of eligibility criteria and requirements. It repealed three of the four programs: (1) Aid to Families With Dependent Children (AFDC)/Job Opportunities and Basic Skills Training program (JOBS) child care, which provided child care assistance to welfare families involved in work or approved education or job training activities; (2) Transitional Child Care (TCC), which provided 1 year of child care assistance to families leaving AFDC because of employment; and (3) At-Risk Child Care (ARCC), which assisted low-income working families who were deemed to be at risk of becoming dependent on welfare without child care assistance. It also modified the fourth existing child care program, the Child Care and Development Block Grant, which previously had assisted families with incomes at or below 75 percent of the state median income who were working or in approved education and training.

Federal and state funding for the four programs in fiscal year 1995 totaled about $3.1 billion. Of this total, the federal share was about $2.2 billion, with states spending about $950.6 million. In fiscal year 1995, the most recent year for which data were available, the average monthly number of children served under the AFDC/JOBS program was 422,049; under TCC, 141,017; and under ARCC, 198,891. The Child Care and Development Block Grant served about 662,735 children, which represents an unduplicated count of children for the whole fiscal year.

Federal funding for the new CCDF for fiscal year 1997 totaled about $2.9 billion--$605.7 million more than was available in 1996 under previous law. States may receive almost two-thirds of these funds without spending their own funds. However, to receive the remaining funds--and thus their full federal allocation--states must maintain expenditures for child care programs at specified levels and spend additional state funds above those levels. Preliminary data from HHS on 40 states as of September

---

who are receiving public assistance, attempting to transition off public assistance, or at risk of becoming dependent on public assistance. States were allocated about $1.9 billion in mandatory and matching funds for fiscal year 1997.

1997 indicate that these states will be utilizing almost all available funds. If states obligated or spent the state funds necessary to receive the full allocation, a total of about $4.4 billion in federal and state funds was available for state child care programs in fiscal year 1997 through CCDF.

In addition, states may transfer up to 30 percent of their TANF funds to CCDF; for fiscal year 1997, $13.36 billion was available in TANF funds. As of December 19, 1997, preliminary reports filed with HHS by 40 states showed that five states had transferred a total of $27,354,000, or .2 percent, of TANF funds to CCDF. States also have the flexibility to spend TANF funds that are not transferred to CCDF on child care assistance for needy families.

HEAD START

Head Start provides comprehensive educational, nutritional, health, and other social services to economically disadvantaged preschool children and their families. Although Head Start primarily operates on a part-day, part-year basis, programs are sometimes linked to other full-day child care providers. In 1997, the Congress appropriated additional funds for Head Start, and over half of the new funds will be used to increase Head Start enrollment, with priority going to grantees proposing to create more full-day, full-year services. Because Head Start families increasingly need child care services, 61 percent of Head Start programs provide these services, either directly or through arrangements with child care providers.

For the 1996, Head Start served 752,000 children, primarily aged 3 to 5. Children participating in Head Start receive comprehensive health services, including immunizations, dental, mental health, and nutritional services. Another essential element of the program is parental involvement in education, program planning, and operating activities.

At least 90 percent of the children served by Head Start must come from families with incomes at or below the poverty line. Also, at least 10 percent of the enrollment slots in each local program must be available for children with disabilities. In addition, by law, a certain portion of program funds is set aside for migrant and Native American children. Grants for Head Start programs are awarded directly to local public or private nonprofit agencies. Entities that may apply for a grant include any local government, federally recognized Indian tribe, or public or private nonprofit agency that meets the Head Start requirements. Because Head Start is a federal matching grant program, grantees typically must contribute 20 percent of the total cost of a Head Start program.

Early Head Start Program

The Early Head Start program was established in 1994 for low-income pregnant women and families with infants and toddlers. The program, either directly or through referrals, provides child development and family support services, including child care services, to low-income families with children under the age of 3. In 1995, grants were made to 143 grantees. In order to ensure continuity of services for children and families, grantees must coordinate with local Head Start programs. Grantees include Head Start grantees, school systems, universities, community mental health centers, city and country governments, Indian tribes, child care programs, and other nonprofit agencies.

TITLE XX SOCIAL SERVICES BLOCK GRANT

The Social Services Block Grant (SSBG) (title XX of the Social Security Act) provides funding to states for a broad array of social services to help clients achieve economic self-sufficiency, child safety, or appropriate care. One important area on which all states spend a portion of their funds is child care. Data reported to HHS by the states for fiscal year 1995 and compiled by the Congressional Research Service (CRS) showed that approximately 15 percent of SSBG funding was used for child care.[13] In addition, a survey conducted by the American Public Welfare Association showed that the percentage varies widely from state to state, with a few using as much as 40 to 50 percent of their SSBG funds for child care, while about one-fourth of the states used between 20 to 30 percent for this purpose.[14]

SSBG is a capped entitlement to states. Funds are allocated to the states on the basis of population, no matching funds are required, and there are no federal eligibility requirements for participants. The 1996 welfare law reduced SSBG's entitlement ceiling, which had been at $2.8 billion since fiscal year 1990, by 15 percent to $2.38 billion. However, the Congress increased the amount available under SSBG and appropriated $2.5 billion to SSBG in 1997. In addition, states may transfer up to 10 percent of TANF block grant funds into SSBG. However, these funds must be used only for programs and services for children and families with incomes below 200 percent of the poverty level. Preliminary data reported to HHS by 40 states indicate

---

[13]The fiscal year 1995 data were compiled by CRS for the forthcoming edition of the 1997 Green Book, House Committee on Ways and Means.

[14]The American Public Welfare Association survey reported states' use of SSBG expenditures for child care for fiscal year 1996. A few states in this survey, however, reported expenditures for fiscal years 1994 and 1995.

that 7 states transferred a total of $197,974,000, approximately 1.4 percent, of their TANF funds to SSBG in fiscal year 1997.

ENCLOSURE III

ESTIMATED NUMBER OF CHILDREN SERVED BY FEDERAL CHILD CARE PROGRAMS, FISCAL YEAR 1997

	Children served, fiscal year 1997			
Program name	Children provided child care services (number)	Children served, total program (number)	Ratio of children served in child care to total children served (percent)	Agency
Primary programs				
Title XX Social Services Block Grant Child Care	N/A	N/A	N/A	HHS
Child and Dependent Care Tax Credit[a]	N/A	N/A	N/A	Treasury
Child Care and Development Fund	N/A	N/A	N/A	HHS
Child and Adult Care Food Program	2,570,000[b]	2,570,000[b]	100	Agriculture
Head Start	794,000	794,000	100	HHS
Subtotal, primary programs[c]	3,364,000	3,364,000		
Other programs				
Special Education–State Grants (Part B)	561,748	5,798,349	9.69	Education
Special Education–Preschool Grants (Section 619-IDEA)	[d]	[d]	[d]	Education
Title I, Part A, Education for the Disadvantaged	200,000	10,000,000	2	Education
Special Education–Infants and Toddlers (Part H)	187,348	187,348	100	Education
Migrant Education–Basic State Formula Grant Program	141,000	564,000	25	Education
Chapter 2, State Block Grants	114,000	7,000,000	1.63	Education
Even Start Family Literacy State Grants	27,780	46,300	60	Education
Appalachian Regional Commission Child Development Activities	11,635	12,005	96	Appalachian Regional Commission
Job Corps	4,424	4,424	100	Labor
Native Hawaiian Family Based Education Centers	3,000	3,000	100	Education
Family and Child Education	1,810	1,810	100	Interior
Even Start–Migrant Education	570	950	60	Education
Even Start–Indian Tribes and Tribal Organizations	315	525	60	Education
Education for Homeless Children and Youth	N/A	N/A	N/A	Education
Native Hawaiian Special Education	N/A	N/A	N/A	Education

	Children served, fiscal year 1997			
Program name	Children provided child care services (number)	Children served, total program (number)	Ratio of children served in child care to total children served (percent)	Agency
Exclusion of Employer Provided Child Care	N/A	N/A	N/A	Treasury
Subtotal, other programs[c]	1,253,630	23,618,711		
Subtotal, domestic primary and other[c]	4,979,378	26,982,711		
Military[d]	166,322	166,322	100	Defense
Total, domestic and military	5,145,700	27,149,033		

Notes: The total number of children served by these programs may be overestimated because some programs may have provided services to the same children.

N/A = not available.

[a]For tax year 1996, 6,220,000 claims were filed claiming the tax credit.

[b]Number equals average daily attendance.

[c]Totals include zeros for programs for which data were not available.

[d]This program serves 561,748 of the same children served by the program above--Special Education--State Grants (Part B)--since preschool grants supplement state grants and thus serve the same children.

[e]Data for the military indicate the number of available spaces.

Source: Data were provided by agency officials in response to a GAO survey.

ELIGIBILITY CRITERIA FOR SELECTED FEDERAL CHILD CARE PROGRAMS

Program name	Eligible children
Appalachian Regional Commission Child Development Activities	Residing in designated counties
Title I, Part A, Education for the Disadvantaged	Low-income: children in low-income families and failing or at risk of failing to meet state academic standards
Chapter 2, State Block Grants	At risk of school failure
Education for Homeless Children and Youth	Low-income: homeless
Even Start Family Literacy State Grants	Low-income: living in Title 1 attendance area
Even Start–Indian Tribes and Tribal Organizations	Low-income: Native Americans up to age 7 in families in poverty with low levels of literacy
Even Start–Migrant Education*	Low-income: children of migrants, through age 7, living in poverty
Exclusion of Employer Provided Child Care	Children and disabled dependents of employed persons
Family and Child Education	Native American
Job Corps	Low-income: parents in Job Corps
Migrant Education–Basic State Formula Grant Program*	Low-income: children of migrants through age 21
Military Child Care	Military personnel
Native Hawaiian Family Based Education Centers	Native Hawaiian infants and preschoolers
Native Hawaiian Special Education	Native Hawaiian/developmentally delayed or at risk
Special Education–State Grants (Part B)	With disabilities
Special Education–Preschool Grants (Section 619-IDEA)	Preschool-aged with disabilities
Special Education–Infants and Toddlers (Part H)	Developmentally delayed or at risk

*Although there is no income test for these programs, children served by them are presumed to need special educational and other services. Furthermore, these programs are generally considered among needs-based programs for persons with limited income.

(116009)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested